

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charlevoix County	County Charlevoix
Fiscal Year End 12/31/06	Opinion Date 6/12/07	Date Audit Report Submitted to State 11/15/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 731 South Garfield Ave		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

CHARLEVOIX COUNTY, MICHIGAN
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

	<u>Page</u>
Organization	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheets – Governmental Funds	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Funds	14
Statements of Revenues, Expenditures and Changes in Fund balance - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statements of Cash Flows - Proprietary Funds	19-20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22-51
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	52
Commission on Aging Fund	53
Revenue Reserve Sharing Fund	54
Supplementary Data Section:	
Combined Balance Sheet – Nonmajor Governmental Funds	55
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Fund	56

TABLE OF CONTENTS - Continued

Supplementary Data Section (continued):

Combined Balance Sheet – Nonmajor Special Revenue Funds	57-60
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Fund	61-64
Combined Balance Sheet – Nonmajor Debt Service Funds	65
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Debt Service Funds	66
Combined Balance Sheet – Nonmajor Capital Projects Funds	67
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Capital Projects Fund	68
Combining Statement of Changes in Assets and Liabilities – Trust and Agency Funds	69-70
Schedule of Bonded Debt Service Requirements - 2001 Debt	71
Schedule of Bonded Debt Service Requirements – 2003 Debt	72
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73-74
Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	75-76
Schedule of Expenditures of Federal Awards	77-78
Notes to the Schedule of Expenditures of Federal Awards	79
Schedule of Findings and Questioned Costs	80

INTRODUCTORY SECTION

**CHARLEVOIX COUNTY, MICHIGAN
ORGANIZATION
DECEMBER 31, 2006**

BOARD OF COMMISSIONERS

Victor Patrick
Chairman

W. Randolph Frykberg
Vice-Chairman

Ronald Reinhardt

Connie Saltonstall

Dennis Jason

Shirley J. Roloff

COUNTY ELECTED OFFICIALS

Marilyn Cousineau
Treasurer

Jane E. Brannon
Clerk/Fiscal Off.

Lawrence Feindt
Surveyor

Charlene M. Novotny
Register of Deeds

Mark Seeley
Drain Commissioner

George T. Lasater
Sheriff

John Jarema
Prosecuting Attorney

COUNTY JUDGES

Frederick Mulhauser
Probate Judge

Richard M. Pajtas
Circuit Judge

Richard W. May
District Judge

FINANCIAL SECTION



Independent Auditor's Report

Honorable Chairman and Members
of the Board of Commissioners
Charlevoix County
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlevoix County, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component-unit financial statements of the County Road Commission, the Northwest Michigan Community Health Agency (Special Revenue Funds), which statements reflect total assets, total net assets and total revenues constituting 35 percent, 39 percent and 43 percent, respectively, of the basic financial statements, or Grandvue Medical Care Facility (Enterprise Fund) which statements reflect total assets, total net assets and revenues constituting 20 percent, 20 percent and 20 percent, respectively, of the basic financial statements. These statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the County Road Commission, Northwest Michigan Community Health Agency, and the Grandvue Medical Care Facility are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2007 on our consideration of Charlevoix County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlevoix County, Michigan's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
June 12, 2007

This section of Charlevoix County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2006.

Financial Highlights

- The County's financial status improved. Total net assets increased 18.4% over the prior year.
- Total revenues for the primary government exceeded expenditures by \$4,067,097. Primarily due to the scheduled buildup of the Revenue Sharing Reserve fund which recorded tax revenues of \$1,870,000 to be used to fund general fund operations for the next 10 years, and a 7.11% increase in taxable values which increased property taxed in the county by approximately \$909,655.
- The County's tax based increase 7.11% to \$1,699,880,291.
- The County transferred \$300,000 to the Road Commission for the purchase of new equipment.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Charlevoix County's basic financial statements. Charlevoix County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Charlevoix County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Charlevoix County's assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of Charlevoix County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Charlevoix County include general government, public safety, health and welfare, recreation and culture and other services. The business-type activities of Charlevoix County include public and regional transportation, commissary inmate trust and purchasing of delinquent taxes.

The government-wide financial statements include not only Charlevoix County itself (known as the primary government), but also the legally separate Road Commission, Grandvue Medical Facility and Northwestern Michigan Community Health Agency, for which Charlevoix County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charlevoix County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Charlevoix County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Charlevoix County maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, Commission on Aging fund and Revenue Sharing Reserve Fund, each of which are considered to be major funds. Data from the other 37 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Charlevoix County adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general and special revenue funds to demonstrate compliance with this budget.

Proprietary funds. Charlevoix County maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Charlevoix County uses enterprise funds to account for its Commissary Inmate Trust, Delinquent Tax Revolving fund, Public Transit fund and its Forfeiture & Foreclosures fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise funds, all of which are considered to be major funds of Charlevoix County.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Charlevoix County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Charlevoix County
Management's Discussion and Analysis
December 31, 2006

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Charlevoix County, assets exceeded liabilities by \$26,158,386 as of December 31, 2006.

A large portion of Charlevoix County's net assets is its investment in capital assets, less any debt to acquire those assets that is still outstanding. Charlevoix County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although Charlevoix County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CHARLEVOIX COUNTY
NET ASSETS
DECEMBER 31, 2006 AND 2005

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 17,101,573	\$ 6,689,832	\$ 23,791,405	\$ 19,239,676	\$ 6,513,552	\$ 25,753,228
Capital assets	9,557,452	565,608	10,123,060	9,964,246	622,880	10,587,126
Total assets	<u>\$ 26,659,025</u>	<u>\$ 7,255,440</u>	<u>\$ 33,914,465</u>	<u>\$ 29,203,922</u>	<u>\$ 7,136,432</u>	<u>\$ 36,340,354</u>
Long-term liabilities outstanding	\$ 6,303,176	\$ -	\$ 6,303,176	\$ 6,718,176	\$ -	\$ 6,718,176
Other liabilities	1,280,872	172,031	1,452,903	7,391,861	139,028	7,530,889
Total liabilities	<u>7,584,048</u>	<u>172,031</u>	<u>7,756,079</u>	<u>14,110,037</u>	<u>139,028</u>	<u>14,249,065</u>
Net assets:						
Invested in capital assets, net of related debt	2,839,276	565,608	3,404,884	2,881,070	622,880	3,503,950
Unrestricted	<u>16,235,701</u>	<u>6,517,801</u>	<u>22,753,502</u>	<u>12,212,815</u>	<u>6,374,524</u>	<u>18,587,339</u>
Total net assets	<u>19,074,977</u>	<u>7,083,409</u>	<u>26,158,386</u>	<u>15,093,885</u>	<u>6,997,404</u>	<u>22,091,289</u>
Total liabilities and net assets	<u>\$ 25,659,025</u>	<u>\$ 7,255,440</u>	<u>\$ 33,914,465</u>	<u>\$ 29,203,922</u>	<u>\$ 7,136,432</u>	<u>\$ 36,340,354</u>

The County's net assets increased by \$4,067,097 during the year. The County also transferred \$300,000 to the County road Commission for the purchase of new equipment.

Charlevoix County
Management's Discussion and Analysis
December 31, 2006

CHARLEVOIX COUNTY
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,796,294	\$ 459,061	\$ 4,255,355	\$ 3,417,673	\$ 374,978	\$ 3,792,651
Operating grants and contributions	2,083,623	558,097	2,641,720	2,883,221	568,643	3,451,864
Capital grants and contributions	73,383	152,826	226,209	5,530	-	5,530
General revenues:						
Property taxes	12,435,619	414,041	12,849,660	11,525,964	356,222	11,882,186
State shared revenues	666,614	-	666,614	633,490	-	633,490
Investment earnings	673,228	124,692	797,920	232,197	80,826	313,023
Miscellaneous revenues	235,831	1,767	237,598	200,126	10,657	210,783
Total revenues	<u>19,964,592</u>	<u>1,710,484</u>	<u>21,675,076</u>	<u>18,898,201</u>	<u>1,391,326</u>	<u>20,289,527</u>
Expenses:						
Governmental activities:						
Legislative	345,244	-	345,244	429,310	-	429,310
Judicial	1,874,335	-	1,874,335	1,910,731	-	1,910,731
General government	2,415,233	-	2,415,233	2,548,006	-	2,548,006
Public safety	4,316,645	-	4,316,645	4,584,469	-	4,584,469
Health and welfare	1,219,689	-	1,219,689	1,073,554	-	1,073,554
Recreation and culture	244,422	-	244,422	124,831	-	124,831
Other	5,291,026	-	5,291,026	4,964,240	-	4,964,240
Interest on long-term debt	289,603	-	289,603	300,091	-	300,091
Commissary inmate trust	-	7,251	7,251	-	6,460	6,460
Public transit fund	-	1,167,303	1,167,303	-	1,260,120	1,260,120
Forfeitures & Foreclosures	-	27,696	27,696	-	2,839	2,839
Total expenses	<u>15,996,197</u>	<u>1,202,250</u>	<u>17,198,447</u>	<u>15,935,232</u>	<u>1,269,419</u>	<u>17,204,651</u>
Increase in net assets before transfers	<u>3,968,395</u>	<u>508,234</u>	<u>4,476,629</u>	<u>2,962,969</u>	<u>121,907</u>	<u>3,084,876</u>
Transfers in (out)	<u>12,697</u>	<u>(422,229)</u>	<u>(409,532)</u>	<u>1,062,367</u>	<u>(100,000)</u>	<u>962,367</u>
Increase (decrease) in net assets	3,981,092	86,005	4,067,097	4,025,336	21,907	4,047,243
Equity transfer	-	-	-	(992,215)	-	(992,215)
Net assets, beginning	<u>15,093,885</u>	<u>6,997,404</u>	<u>22,091,289</u>	<u>12,060,764</u>	<u>6,975,497</u>	<u>19,036,261</u>
Net assets, ending	<u>\$ 19,074,977</u>	<u>\$ 7,083,409</u>	<u>\$ 26,158,386</u>	<u>\$ 15,093,885</u>	<u>\$ 6,997,404</u>	<u>\$ 22,091,289</u>

Property tax revenue increased 13.01% due to taxable values increasing by 7.11%. Personnel expenses represent approximately 85% of the expenditures. Costs for Health insurance increased 19% and the required contribution to the retirement system increased by 2.5%.

Financial Analysis of the Government's Funds

As noted earlier, Charlevoix County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

Governmental funds. The focus of Charlevoix County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Charlevoix County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2006, Charlevoix County's governmental funds reported combined ending fund balances of \$16,609,095. Approximately three-quarters of this total constitutes unreserved fund balance, which is available for spending at Charlevoix County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Charlevoix County. As of December 31, 2006, unreserved fund balance of the general fund was \$3,840,091. As a measure of liquidity, it may be useful to compare the unreserved fund balance to the total fund expenditures. Unreserved fund balance represents 36.75 percent of the total general fund expenditures. In other words, the general fund could operate with in new revenues for approximately four months.

The fund balance of Charlevoix County's general fund increased by \$993,014 during the current fiscal year. Key factors in this growth are as follows:

- Property tax values increased 7.11% over the prior year, resulting in an increase of \$904,000.
- Expenditures for health insurance, liability insurance and retirement were significantly increased from 2005.
- Legislature expenses decreased by \$85,000.
- Elections expenses increased \$45,000.
- Data Processing expenses decreased \$160,000.
- Emergency services expenses decreased \$131,000.

Proprietary funds. Charlevoix County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2006 were \$7,083,409. With a majority of the net assets in the Delinquent Tax Revolving Fund, \$5,586,779.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Increase in transfers out to the Crime Victims Right's fund by \$25,000

Charlevoix County
Management's Discussion and Analysis
December 31, 2006

Capital Asset and Debt Administration

Capital assets. Charlevoix County's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$10,123,060 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Three new sheriff vehicles
- A compactor for the recycling center
- New phone system

CHARLEVOIX COUNTY
CAPITAL ASSETS (net of accumulated depreciation)
DECEMBER 31, 2006

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and Land improvements	\$ 483,676	\$ -	\$ 483,676	\$ 497,607	\$ -	\$ 497,607
Buildings and improvements	7,954,510	205,244	8,159,754	6,727,080	220,656	6,947,736
Machinery and equipment	1,119,266	360,364	1,479,630	1,270,376	402,224	1,672,600
Construction in progress	-	-	-	1,469,183	-	1,469,183
	<u>\$ 9,557,452</u>	<u>\$ 565,608</u>	<u>\$ 10,123,060</u>	<u>\$ 9,964,246</u>	<u>\$ 622,880</u>	<u>\$ 10,587,126</u>

Long-term debt. At December 31, 2006, Charlevoix County had total bonded debt outstanding of \$6,718,176.

CHARLEVOIX COUNTY
OUTSTANDING DEBT
DECEMBER 31, 2006

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation	\$ 6,200,000	\$ -	\$ 6,200,000	\$ 6,550,000	\$ -	\$ 6,550,000
Water Supply System Bonds	518,176	-	518,176	533,176	-	533,176
	<u>\$ 6,718,176</u>	<u>\$ -</u>	<u>\$ 6,718,176</u>	<u>\$ 7,083,176</u>	<u>\$ -</u>	<u>\$ 7,083,176</u>

Charlevoix County's total debt decreased by \$365,000 during the year ended December 31, 2006. The key factors were paying \$365,000 of principal on the general obligation bond.

Economic Factors and Next Years Budgets and Rates

- The County anticipates an increase in tax revenue for 2007 due to increasing taxable values.
- The cost of health insurance continues to be a growing concern, estimates are that increases in the fiscal year will be approximately 10%.
- Liability insurance is projected to increase due to settlements of lawsuits during the current year.

All of these factors were considered in preparing Charlevoix County's budget for the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Charlevoix County's finances for all those with an interest in the government's finances. Questions concerning any of the financial information should be address to the County Clerk, 203 Antrim St., Charlevoix, MI 49720.

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
ASSETS						
Cash	\$ 12,241,413	\$ 2,676,998	\$ 14,918,411	\$ 715,922	\$ 1,900,892	\$ 422,160
Cash Investments	1,544,201	2,962,776	4,506,977	-	-	-
Receivables:						
Taxes	2,170,812	923,198	3,094,010	-	-	1,307,926
Accounts	1,775	10,627	12,402	448	948,310	1,254,955
Interest	98,391	2,949	101,340	-	-	-
Due from State	194,297	57,990	252,287	548,138	-	-
Due from Federal government	123,111	-	123,111	-	-	-
Due from other government units	526,405	-	526,405	-	2,276,305	-
Due from other funds	16,482	-	16,482	-	-	-
Inventory of supplies	-	30,343	30,343	798,376	79,489	-
Prepaid expenses	128,918	24,951	153,869	-	240,440	6,447
Assets limited to use	-	-	-	-	-	1,449,823
Amount to be provided for						
Accounts payable	55,768	-	55,768	-	-	-
Capital assets (net of accumulated depreciation)						
Land and land improvements	483,676	-	483,676	2,153,943	-	-
Buildings and improvements	7,954,510	205,244	8,159,754	-	-	10,160,984
Machinery and equipment	1,119,266	360,364	1,479,630	-	464,507	599,905
Other capital assets	-	-	-	16,896,999	-	-
Construction in progress	-	-	-	-	-	11,298
 TOTAL ASSETS	 \$ 26,659,025	 \$ 7,255,440	 \$ 33,914,465	 \$ 21,113,826	 \$ 5,909,943	 \$ 15,213,498

The accompanying notes are an integral part of these statements.

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
LIABILITIES & NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	\$ 97,094	\$ 19,011	\$ 116,105	\$ 31,517	\$ 665,014	\$ 303,564
Checks written in excess of deposits	40,279	-	40,279	-	-	-
Current portion of bonds and interest payable	462,313	-	462,313	-	-	-
Accrued liabilities	236,994	9,656	246,650	23,677	505,247	419,186
Accrued sick and vacation payable	326,081	32,458	358,539	-	470,365	293,565
Due to State	-	76,560	76,560	-	-	-
Due to other funds	-	14,346	14,346	-	-	-
Other liabilities	2,220	20,000	22,220	-	-	94,001
Patient trust monies	-	-	-	-	-	23,901
Advances from other funds	-	-	-	145,447	-	-
Advances from other governmental units	55,768	-	55,768	-	-	-
Deferred revenues	60,123	-	60,123	3	182,295	1,307,926
TOTAL CURRENT LIABILITIES	1,280,872	172,031	1,452,903	200,644	1,822,921	2,442,143
LONG-TERM LIABILITIES						
Bonds payable, less current portion	6,303,176	-	6,303,176	41,136	-	-
TOTAL LIABILITIES	7,584,048	172,031	7,756,079	241,780	1,822,921	2,442,143
NET ASSETS:						
Invested in capital assets, net of related debt	2,839,276	565,608	3,404,884	19,050,942	464,507	10,772,187
Net Assets:						
Restricted for primary	-	-	-	1,340,858	-	-
Unreserved	16,235,701	6,517,801	22,753,502	480,246	3,622,515	1,999,168
TOTAL NET ASSETS	19,074,977	7,083,409	26,158,386	20,872,046	4,087,022	12,771,355
TOTAL LIABILITIES & NET ASSETS	\$ 26,659,025	\$ 7,255,440	\$ 33,914,465	\$ 21,113,826	\$ 5,909,943	\$ 15,213,498

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Legislative	\$ 345,244	\$ -	\$ -	\$ -
Judicial	1,874,335	1,181,782	844,382	-
General Government	2,415,233	856,765	73,777	-
Public Safety	4,316,645	1,094,220	607,893	63,383
Health and Welfare	1,219,689	279,214	369,625	10,000
Recreation and culture	244,422	153,453	-	-
Other	5,291,026	201,980	187,946	-
Interest on long term debt	289,603	28,880	-	-
Total governmental activities	15,996,197	3,796,294	2,083,623	73,383
Business-type activities:				
Commissary inmate trust	7,251	-	-	-
Delinquent tax revolving	-	254,197	-	-
Public Transit	1,167,303	114,445	558,097	152,826
Forfeitures & Foreclosures	27,696	90,419	-	-
Total business-type activities	1,202,250	459,061	558,097	152,826
Total primary government	<u>\$ 17,198,447</u>	<u>\$ 4,255,355</u>	<u>\$ 2,641,720</u>	<u>\$ 226,209</u>
Component units:				
Road Commission	4,557,297		5,445,345	
Northwest Michigan Community Health Agency	18,011,422	12,121,899	6,080,388	
Grandvue Medical Care Facility	11,267,396	10,560,539		21,774
Total component units	<u>\$ 33,836,115</u>	<u>\$ 22,682,438</u>	<u>\$ 11,525,733</u>	<u>\$ 21,774</u>

General Revenues:

Property Taxes – general purposes

Property Taxes – debt purposes

State Shared Revenue

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous revenues

Gain (Loss) on disposal of fixed assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
\$ (345,244)	\$ -	\$ (345,244)	\$ -	\$ -	\$ -
151,829	-	151,829	-	-	-
(1,484,691)	-	(1,484,691)	-	-	-
(2,551,149)	-	(2,551,149)	-	-	-
(560,850)	-	(560,850)	-	-	-
(90,969)	-	(90,969)	-	-	-
(4,901,100)	-	(4,901,100)	-	-	-
(260,723)	-	(260,723)	-	-	-
(10,042,897)	-	(10,042,897)	-	-	-
-	(7,251)	(7,251)	-	-	-
-	254,197	254,197	-	-	-
-	(341,935)	(341,935)	-	-	-
-	62,723	62,723	-	-	-
-	(32,266)	(32,266)	-	-	-
\$ (10,042,897)	\$ (32,266)	\$ (10,075,163)	\$ -	\$ -	\$ -
-	-	-	888,048	-	-
-	-	-	-	190,865	-
-	-	-	-	-	(685,083)
-	-	-	880,048	190,865	(685,083)
11,533,837	414,041	11,947,878	-	-	1,200,215
901,782	-	901,782	-	-	-
666,614	-	666,614	-	-	-
-	-	-	-	824,044	-
673,228	124,692	797,920	-	819,202	62,226
235,831	557	236,388	-	-	-
-	1,210	1,210	-	-	2,450
12,697	(422,229)	(409,532)	-	-	-
14,023,989	118,271	14,142,260	-	1,643,246	1,264,891
3,981,092	86,005	4,067,097	888,048	1,834,111	579,808
15,093,885	6,997,404	22,091,289	19,983,998	2,252,911	12,191,547
\$ 19,074,977	\$ 7,083,409	\$ 26,158,386	\$ 20,872,046	\$ 4,087,022	\$ 12,771,355

**CHARLEVOIX COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Commission On Aging	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 1,934,418	\$ 805,763	\$ 5,631,325	\$ 3,869,907	\$ 12,241,413
Cash Investments	-	1,544,201	-	-	1,544,201
Receivables:					
Taxes	502,130	-	1,668,682	-	2,170,812
Accounts	1,775	-	-	-	1,775
Interest	98,391	-	-	-	98,391
Due from State	16,901	-	-	177,396	194,297
Due from Federal government	123,111	-	-	-	123,111
Due from other government units	-	-	-	526,405	526,405
Due from other funds	1,304,189	-	-	-	1,304,189
Prepaid expenses	119,984	918	-	8,016	128,918
Amount to be provided for accounts payable	-	-	-	55,768	55,768
TOTAL ASSETS	\$ 4,100,899	\$ 2,350,882	\$ 7,300,007	\$ 4,637,492	\$ 18,389,280
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 43,130	\$ -	\$ -	\$ 53,964	\$ 97,094
Checks written in excess of deposits				40,279	40,279
Accrued liabilities	216,258	-	-	20,736	236,994
Due to other funds	-	34,618	1,246,174	6,915	1,287,707
Due to other governmental units	-	-	-	-	-
Other liabilities	1,420	-	-	800	2,220
Advances from other governmental units	-	-	-	55,768	55,768
Deferred revenues	-	-	-	60,123	60,123
TOTAL LIABILITIES	260,808	34,618	1,246,174	238,585	1,780,185
FUND EQUITY:					
Fund balances:					
Reserved for debt service	-	-	-	1,249,750	1,249,750
Reserved for capital outlay	-	-	-	88,331	88,331
Reserved	-	-	-	533,133	533,133
Unreserved	3,840,091	2,316,264	6,053,833	2,527,693	14,737,881
TOTAL FUND EQUITY	3,840,091	2,316,264	6,053,833	4,398,907	16,609,095
TOTAL LIABILITIES & FUND EQUITY	\$ 4,100,899	\$ 2,350,882	\$ 7,300,007	\$ 4,637,492	\$ 18,389,280

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY
RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 16,609,095
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets, net of accumulated depreciation	9,557,452
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds – accrued sick and vacation payable	(326,081)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable – Grandvue Project	(6,200,000)
Bonds payable – Village of Boyne Falls water project	(518,176)
Interest payable	(47,313)
Net Assets of Governmental Activities	<u>\$ 19,074,977</u>

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Commission On Aging	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 8,302,180	\$ 664,541	\$ 2,318,056	\$ 1,150,842	\$ 12,435,619
Licenses and permits	42,160	-	-	658,152	700,312
Federal grants	523,349	98,549	-	21,681	643,579
State grants	1,141,771	26,987	-	749,954	1,918,712
Contributions from local units	7,478	-	-	28,880	36,358
Charges for services	1,663,390	165,077	-	1,064,265	2,892,732
Fines and forfeits	4,355	-	-	3,338	7,693
Interest and rents	284,916	98,096	29,880	260,336	673,228
Other	163,887	11,193	-	481,279	656,359
TOTAL REVENUES	12,133,486	1,064,443	2,347,936	4,418,727	19,964,592
EXPENDITURES:					
Current:					
Legislative	345,244	-	-	-	345,244
Judicial	1,184,130	-	-	677,114	1,861,244
General government	2,052,028	-	-	164,017	2,216,045
Public safety	2,669,114	-	-	1,596,380	4,265,494
Health and welfare	141,908	653,628	-	424,153	1,219,689
Recreation & cultural	-	-	-	243,277	243,277
Other	4,055,716	-	477,936	600,746	5,134,398
Principal and interest	-	-	-	654,603	654,603
TOTAL EXPENDITURES	10,448,140	653,628	477,936	4,360,290	15,939,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,685,346	410,815	1,870,000	58,437	4,024,598
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	740,614	740,614
Operating transfers (out)	(692,332)	-	-	(35,585)	(727,917)
TOTAL OTHER FINANCING SOURCES (USES)	(692,332)	-	-	705,029	12,697
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	993,014	410,815	1,870,000	763,466	4,037,295
FUND BALANCE, beginning	2,847,077	1,905,449	4,183,833	3,635,441	12,571,800
FUND BALANCE, ending	\$ 3,840,091	\$ 2,316,264	\$ 6,053,833	\$ 4,398,907	\$ 16,609,095

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balance – total governmental funds	\$ 4,037,295
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	246,021
Depreciation recorded as an expense	(652,815)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	(14,409)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Bond principal payments made	365,000
Change in net assets of governmental activities	\$ 3,981,092

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
ASSETS					
Cash	\$ 83,587	\$ 1,698,200	\$ 768,748	\$ 126,463	\$ 2,676,998
Investments	-	2,962,776	-	-	2,962,776
Receivables:					
Taxes	-	923,198	-	-	923,198
Accounts	-	2,804	7,823	-	10,627
Interest	-	-	2,949	-	2,949
Due from State	-	-	57,990	-	57,990
Due from other govt units	-	-	-	-	-
Inventories	-	-	30,343	-	30,343
Prepaid expenses	120	-	24,831	-	24,951
Property and equipment, net of accum depreciation	-	-	565,608	-	565,608
TOTAL ASSETS	<u>\$ 83,707</u>	<u>\$ 5,586,978</u>	<u>\$ 1,458,292</u>	<u>\$ 126,463</u>	<u>\$ 7,255,440</u>
LIABILITIES & FUND EQUITY					
Liabilities:					
Accounts payable	\$ -	\$ 199	\$ 18,174	\$ 638	\$ 19,011
Checks written in excess of deposits	-	-	-	-	-
Accrued expenses	-	-	42,114	-	42,114
Due to other funds	-	-	14,346	-	14,346
Due to State	-	-	19,019	57,541	76,560
Deferred liability	-	-	20,000	-	20,000
TOTAL LIABILITIES	<u>-</u>	<u>199</u>	<u>113,653</u>	<u>58,179</u>	<u>172,031</u>
Fund Equity:					
Invested in capital assets	-	-	565,608	-	565,608
Retained earnings:					
Unreserved	83,707	5,586,779	779,031	68,284	6,517,801
TOTAL FUND EQUITY	<u>83,707</u>	<u>5,586,779</u>	<u>1,344,639</u>	<u>68,284</u>	<u>7,083,409</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 83,707</u>	<u>\$ 5,586,978</u>	<u>\$ 1,458,292</u>	<u>\$ 126,463</u>	<u>\$ 7,255,440</u>

* September 30, 2006 year end

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
OPERATING REVENUES:					
Charges for services	\$ -	\$ -	\$ 114,445	\$ 76,120	\$ 190,565
Interest and penalties on taxes	-	254,197	-	-	254,197
Other revenue	-	-	-	14,299	14,299
TOTAL OPERATING REVENUES	-	254,197	114,445	90,419	459,061
OPERATING EXPENSES:					
Personal services	-	-	747,409	-	747,409
Other	7,251	-	217,186	27,696	252,133
Depreciation	-	-	202,708	-	202,708
TOTAL OPERATING EXPENSES	7,251	-	1,167,303	27,696	1,202,250
OPERATING INCOME (LOSS)	(7,251)	254,197	(1,052,858)	62,723	(743,189)
NON-OPERATING REVENUES (EXPENSES):					
Taxes	-	-	414,041	-	414,041
State Grants	-	-	390,370	-	390,370
Operating grants – federal	-	-	167,727	-	167,727
Interest and rents	7,333	100,013	17,346	-	124,692
Other	-	-	557	-	557
Loss on disposal of assets	-	-	1,210	-	1,210
Transfers (out)	-	(422,229)	-	-	(422,229)
TOTAL NON-OPERATING REVENUES (EXPENSES)	7,333	(322,216)	991,251	-	676,368
CAPITAL GRANTS	-	-	152,826	-	152,826
NET INCOME (LOSS)	82	(68,019)	91,219	62,723	86,005
RETAINED EARNINGS, beginning	83,625	5,654,798	1,253,420	5,561	6,997,404
RETAINED EARNINGS, ending	\$ 83,707	\$ 5,586,779	\$ 1,344,639	\$ 68,284	\$ 7,083,409

* September 30, 2006 year end

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
Cash Flow From Operating Activities:					
Cash received from customers	\$ -	\$ 231,230	\$ 112,592	\$ 90,419	\$ 434,241
Cash paid to suppliers & employees	(7,371)	(968)	(993,058)	13,000	(988,397)
Net Cash Provided By (Used In) Operating Activities	(7,371)	230,262	(880,466)	103,419	(554,156)
Cash Flows From Non-capital Financing Activities:					
Local tax levy received	-	-	414,041	-	414,041
State of Michigan	-	-	(6,358)	-	(6,358)
Operating grants received	-	-	676,974	-	676,974
Other miscellaneous revenue	-	-	557	-	557
Transfer out	-	(422,229)	-	-	(422,229)
Net Cash Provided By Noncapital Financing Activities	-	(422,229)	1,085,214	-	662,985
Cash Flows From Capital And Related Financing Activities:					
Acquisition of capital assets	-	-	(145,435)	-	(145,435)
Proceeds from sale of fixed assets	-	-	1,210	-	1,210
Capital grants received	-	-	152,826	-	152,826
Net Cash Provided By (Used In) Capital And Related Financing Activities	-	-	8,601	-	8,601
Cash Flows From Investing Activities:					
Interest on investments	7,333	100,013	17,346	-	124,692
Increase in long term CD's	-	(429,184)	-	-	(429,184)
Net Cash Flows Provide by (used) by Investing Activities	7,333	(329,171)	17,346	-	(304,492)
NET INCREASE (DECREASE) IN CASH	(38)	(521,138)	230,695	103,419	(187,062)
CASH, beginning	83,625	2,219,338	538,053	23,044	2,864,060
CASH, ending	\$ 83,587	\$ 1,698,200	\$ 768,748	\$ 126,463	\$ 2,676,998

* September 30, 2006 year end

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
Reconciliation Of Net Operating Income					
To Net Cash Provided By Operating					
Activities:					
Net operating income (loss)	\$ (7,251)	\$ 254,197	\$ (1,032,858)	\$ 62,723	\$ (723,189)
Adjustments To Reconcile Net Operating					
Income (Loss) To Net Cash Provided					
By Operating Activities:					
Depreciation	-	-	202,708	-	202,708
(Increase) decrease in:					
Receivables	-	(22,967)	(1,853)	-	(24,820)
Inventories	-	-	(484)	-	(484)
Prepaid expenses	(120)	-	(20,105)	-	(20,225)
Increase (decrease) in:					
Accounts payable	-	(968)	(35,167)	(202)	(36,337)
Due to state	-	-		40,898	40,898
Accrued liabilities	-	-	6,107	-	6,107
Accrued sick and vacation pay	-	-	1,186	-	1,186
Total adjustments	(120)	(23,935)	152,392	40,696	169,033
Net Cash Provided By (Used In)					
Operating Activities	\$ (7,371)	\$ 230,262	\$ (880,466)	\$ 103,419	\$ (554,156)

* September 30, 2006 year end

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	Trust and Agency Fund	Auxiliary and Library Trust Fund	District Court Trust Fund
<u>ASSETS</u>			
Cash	\$ 371,281	\$ 111,681	\$ 61,930
Investments	161,862	-	-
Prepaid expenses	4,281	-	-
TOTAL ASSETS	<u><u>\$ 537,424</u></u>	<u><u>\$ 111,681</u></u>	<u><u>\$ 61,930</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,471	\$ -	\$ -
Due to other funds	2,136	-	-
Due to State	280,821	-	-
Due to other government units:			
Due to cities	646	-	-
Due to library	-	-	-
Due to schools	340,773	-	-
Due to townships	-	-	-
Due to Federal government	(2,049)	-	-
Other liabilities	(86,374)	111,681	61,930
TOTAL LIABILITIES	<u><u>\$ 537,424</u></u>	<u><u>\$ 111,681</u></u>	<u><u>\$ 61,930</u></u>

The accompanying notes are an integral part of these statements.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charlevoix County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant accounting policies used by the County.

A. Reporting Entity

The County of Charlevoix was established April 1, 1840 and officially organized in 1869. The County covers an area of approximately 414 square miles with the County seat located in the City of Charlevoix. The County operates under an elected Board of Commissioners (6 members) and provides services to its more than 26,090 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. As required by generally accepted accounting principles, these financial statements present Charlevoix County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Several Special Revenue Funds of the County prepare their financial statements and report their financial activities consistent with the State of Michigan fiscal year ending September 30th. These financial statements include the Housing Program, Commission on Aging, Child Care/Child Care Sub Account, Recovery High, Juvenile Justice/Delinquency Prevention, Crime Victims Rights, Probate Grants and Community Corrections Funds. The Public Transit Fund (an Enterprise Fund) also has a September 30th year end.

Discretely Presented Component Units

The component unit columns in the financial statements included the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County. The governing bodies of both these units have Board members appointed by the County Board.

1. The County Road Commission consists of three Board members, all appointed by the County Board. The County Treasurer also has control over the Road Commission cash.
2. The Northwest Michigan Community Health Agency is a Michigan municipal body and an agency of Antrim, Charlevoix, Emmet and Otsego Counties created, under Act 368, Public Acts of 1978, to provide certain public health services to area residents. Two of the Board members consist of County Commissioners appointed by the County Board. Also, the facilities are located in Charlevoix County and the Health Agency cash is controlled by the County Treasurer.
3. The Grandvue Medical Care Facility is a nonprofit, 113 beds, long-term care facility owned and operated by Charlevoix County. It is governed by the Department of Health Services Board. This Board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan Governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

The education services provided to County citizens through several local school districts are separate governmental entities. This report does not include the financial statements of those school districts.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *commission on aging fund* operates for the assistance of the county's elderly.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The *Revenue Sharing reserve fund* was created as a funding vehicle by the State of Michigan to defer State revenue Sharing payments. This will collect property taxes over a three year period and systematically be used to fund the general operations of the general fund.

The government reports the following major proprietary funds:

The *Commissary inmate trust* accounts for the revenue and expenses of operating the commissary at the county jail.

The *delinquent tax revolving fund* accounts for the property taxes purchased from the townships located within the county. This fund collects the taxes and penalties and interest on the delinquent tax.

The *public transit fund* accounts for the operation of the public transportation system.

The *forfeitures & foreclosures* accounts for the proceeds and expenses from property tax reversion services handled through a title check.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has not elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the governments enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, liabilities, net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Michigan Compiled Laws, Section 129.91, authorizes Charlevoix County to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for enterprise funds, are shown net of an allowance for uncollectibles.

3. Inventories and prepaid items

Prepaid items consist of insurance and other items purchased during the current fiscal period and benefit a future fiscal period.

Inventories are accounted for as follows:

County Road Commission

Inventories, which consist of road materials and equipment supplies, are valued at cost (first-in/first-out, and average cost). Costs are recorded as assets when purchased, and charged to expense when used.

Public Transit

Inventories of replacement parts and fuel are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, liabilities, net assets or equity

4. Capital Assets and Depreciation

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value to the asset or materially extend assets lives are not capitalized.

The County Road Commission computes depreciation by using the sum-of-the-years digits method for road equipment and the straight-line method for all other fixed assets.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	10
Office equipment	7
Computer equipment	5

5. Capitalized Interest

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The County did not capitalize interest on fixed assets in the current year.

6. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Fund Balance Reserve

The Fund Balance Reserve in the fund financial statements reflects an offset for inventories, prepaid expenses and restricted assets. Under the modified accrual basis of accounting, when inventories and prepaid expenses are reported in the financial statements, they are to be equally offset by a fund balance reserve account. This indicates that even though inventories and prepaid expenses are components of net current assets, they do not represent an "available spendable resource." The fund balance reserves for the various restricted assets indicate that these restricted assets, reported on the financial statements, are designated for a specific use and, therefore, are also not an "available spendable resource."

F. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

G. Joint Ventures

C.C.E. Central Dispatch Authority (the "Authority") is a joint venture formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet under the auspices of the Inter-Governmental Contracts Between Municipalities Act, urban Cooperation Act, and Emergency Telephone Service Enabling Act. Its purpose is to centralize the dispatch of emergency service responders in the three county area.

An agreement executed in July, 1993 established the Authority. Financial transactions commenced in September, 1993.

The Authority is governed by a nine member Board of Directors made up as follows:

Three county commissioners: one appointed from each county board of commissioners. Three city or village representatives: one selected from each county. Three township representatives: one selected from each county.

Under the term of the organizing agreement, each participating county is responsible for funding expenditures of the Authority based on a formula. Currently the formula requires that sixty percent of the Authority's expenditures be divided equally between the three participating counties. The remaining forty percent is divided based on telephone lines in each county. The agreement requires that this funding formula be reviewed every five years.

The County's actual contribution for 2006 was \$160,164.

The Authority is economically dependent on the participating counties to provide adequate funding for developing and operating the centralized dispatch service.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Clerk. The Clerk totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

B. Excess of expenditures over appropriations - continued

During the year ended December 31, 2006, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Legislative	\$ 305,400	\$ 345,244	\$ 39,844
Revenue Sharing Reserve Fund:			
Other	-	477,936	477,936

C. Deficit fund equity

The following funds have a deficit fund balance as of December 31, 2006:

Probate Grants	\$1,627
Crime Victims Rights	\$364

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS

A. Assets

1. Deposits and Investments

At December 31, 2006, the carrying amount of the County's deposits were \$19,082,820 and the bank balance was \$20,028,877 of which \$1,120,431 was covered by federal depository insurance and \$18,908,446 was uninsured and uncollateralized. The County has \$26,575 in petty cash on hand.

Investments

The County had the following investments as of December 31, 2006:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
U.S. Treasury Bills – FHLMC	08/15/2007 *	Aaa/AAA	\$ 147,960
U.S. Treasury Bills – FHLMC	02/22/2007 *	Aaa/AAA	99,658
U.S. Treasury Bills – FFCB	09/13/2007 *	Aaa/AAA	49,890
U.S. Treasury Bills – FHLB	11/28/2007 *	Aaa/AAA	99,656
U.S. Treasury Bills – FHLB	11/09/2007 *	Aaa/AAA	197,938
U.S. Treasury Bills – FHLB	02/02/2007 *	Aaa/AAA	99,969
U.S. Treasury Bills – FHLB	08/23/2007 *	Aaa/AAA	99,344
U.S. Treasury Bills – FHLB	11/09/2007 *	Aaa/AAA	109,897
U.S. Treasury Bills – FHLB	03/16/2007 *	Aaa/AAA	449,298
U.S. Treasury Bills – FHLB	11/09/2007 *	Aaa/AAA	99,906
U.S. Treasury Bills – FHLB	11/21/2007	Aaa/AAA	100,000
U.S. Treasury Bills – FHLB	03/14/2007	Aaa/AAA	205,683
U.S. Treasury Bills – FHLB	08/17/2007	Aaa/AAA	99,688
U.S. Treasury Bills – FHLB	10/17/2007	Aaa/AAA	99,406
U.S. Treasury Bills – FHLMC	03/14/2008	Aaa/AAA	159,754
U.S. Treasury Bills – FHLB	03/24/2007	Aaa/AAA	267,046
U.S. Treasury Bills – FHLB	01/30/2007	Aaa/AAA	118,837
U.S. Treasury Bills – FHLB	03/18/2007	Aaa/AAA	99,850
U.S. Treasury Bills – FHLB	07/02/2007	Aaa/AAA	298,650
U.S. Treasury Bills – FHLB	05/03/2007	Aaa/AAA	199,660
U.S. Treasury Note	02/29/2008	Aaa/AAA	398,312
U.S. Treasury Bills – FHLB	10/10/2007	Aaa/AAA	244,542
U.S. Treasury Bills – FHLB	07/07/2008	Aaa/AAA	144,845
U.S. Treasury Bills – FNMA	01/08/2007	Aaa/AAA	132,048
MBIA – Mutual funds		1	<u>1,209,402</u>
1 – no rating noted			<u>\$ 5,231,239</u>

* callable within 270 days of purchase

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

1. Deposits and Investments - Continued

Credit Risk - State statutes authorize the County to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The county has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The County places no limit on the amount the district may invest in any one issuer.

For purposes of the statement of cash flows, the County considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

County Road Commission

Total Cash deposited at December 31, 2006 amounted to \$715,922 and the bank balance was \$856,266. Of the bank balance \$100,000 was covered by federal depository insurance and \$756,266 was uninsured and uncollateralized.

Northwest Michigan Community Health Agency

Northwest Michigan Community Health Agency's deposits at year-end had a carrying value of \$1,900,892. As of December 31, 2006, none of the Agency's bank deposits were exposed to custodial credit risk because they were uninsured and uncollateralized.

Public Transit

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below.

Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2006, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposit, money market accounts and with investment trust funds.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

2. Property Taxes Receivable and Property Tax Calendar

	Mills	Adjusted Levy	Collections	Delinquent Real	Delinquent Personal
Winter Tax					
County:					
General*	4.6276	\$ 7,858,085	\$ 7,391,662	\$ 457,340	\$ 9,083
Medical Care Facility	.7128	1,214,151	1,129,669	82,808	1,674
Public Transit	.2461	419,245	389,925	28,746	574
Commission on Aging	.3938	670,714	625,777	43,928	1,009
Recycle Fund	.1476	251,436	233,819	17,239	378
Grandvue Bond	.5400	920,220	855,738	63,087	1,395
Summer Tax:					
General fund	3.0338	5,661,273	5,159,144	502,130	-

*Includes amount collected for the Revenue Sharing Reserve fund

The above collections include tax collections of \$230,779, \$35,546, \$12,273, \$15,536, \$5,822 and \$21,479 captured through the Tax Increment Financing Authority from the General, County Medical Care Facility, Public Transit Funds, Commission on Aging and Recycling Fund, and Grandvue Bond Debt Service Fund, respectively. The 2006 and 2005 Taxable Valuation's were \$1,699,880,291 and \$1,587,021,381, respectively.

The levy may vary due to S.E.V. adjustments ordered by the Michigan Tax Tribunal and/or individual Board of Review adjustments.

Details of the Property tax calendar are as follows: Levy date -December 31st of the prior year; Lien date and due date - December 1st of each year; Collection date - December 1st through February 28th of the following year by local officials, turned delinquent on or about March 1st of each year - delinquent taxes are purchased and collected by the County Treasurer through the Tax Revolving Fund.

Property tax revenues are recognized in the fiscal year for which they have been levied and become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay current period liabilities. The current period referred to here is a period of time not exceeding 60 days.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

Taxes Receivable - Delinquent Tax Revolving Fund

Recorded taxes receivable in the County's Delinquent Tax Revolving Fund consist of amounts due for the following tax levy years:

2005	\$	844,111
2004		73,538
2003		4,382
2002		474
Other years		<u>693</u>
	\$	<u><u>923,198</u></u>

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

3. Capital Assets

A summary of the changes in the capital assets of the primary government follows:

Primary Government	Balance 01/01/06	Increases	Decreases/ Transfers	Balance 12/31/06
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 322,995	\$ -	\$ -	\$ 322,995
Construction in progress	1,469,183	-	1,469,183	-
Total capital assets not being depreciated	1,792,178	-	1,469,183	322,995
Capital assets, being depreciated				
Land improvements	350,394	-	-	350,394
Buildings & improvements	9,643,933	15,120	1,469,183	11,128,236
Machinery & equipment	4,752,994	230,901	-	4,983,895
Total capital assets being depreciated	14,747,321	246,021	1,469,183	16,462,525
Less accumulated depreciation for:				
Land improvements	175,782	13,931	-	189,713
Buildings & improvements	2,916,853	256,873	-	3,173,726
Machinery & equipment	3,482,618	382,011	-	3,864,629
Total accumulated depreciation	6,575,253	652,815	-	7,228,068
Total capital assets, being depreciated, net	8,172,068	(406,794)	-	9,234,457
Governmental activities capital assets, net	<u>\$ 9,964,246</u>	<u>\$ (406,794)</u>	<u>\$ -</u>	<u>\$ 9,557,452</u>

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

3. Capital Assets - continued

	Balance 01/01/06	Increases	Decreases	Balance 12/31/06
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 656,373	\$ 17,500	\$ -	\$ 673,873
Machinery & equipment	1,214,480	127,936	1,317	1,341,099
Total capital assets being depreciated	1,870,853	145,436	1,317	2,014,972
Less accumulated depreciation for:				
Buildings & improvements	435,717	32,912	-	468,629
Machinery & equipment	812,256	169,796	1,317	980,735
Total accumulated depreciation	1,247,973	202,708	1,317	1,449,364
Business-type activities capital assets, net	\$ 622,880	\$ (57,272)	\$ -	\$ 565,608

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 13,091
General government	194,149
Public Safety	235,005
Recreation and culture	1,145
Other	209,425
Total depreciation expense – governmental activities	\$ 652,815
Business-type activities:	
Public transit	\$ 202,708

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

A. Assets - Continued

3. Capital Assets - continued

Discretely presented component units

Road Commission	Balance 01/01/06	Increases	Decreases	Balance 12/31/06
Capital assets, not being depreciated				
Land and improvements	\$ 82,574	\$ -	\$ -	82,574
Land and improvements, infrastructure	2,025,844	45,525	-	2,071,369
Total capital assets not being depreciated	2,108,418	45,525	-	2,153,943
Capital assets, being depreciated				
Buildings and improvements	1,556,671	-	-	1,556,671
Road equipment	4,465,039	831,124	266,461	5,029,702
Other equipment	222,736	1,050	-	223,786
Infrastructure and improvements	22,440,218	1,425,881	-	23,866,099
Total capital assets being depreciated	30,793,082	2,258,055	266,461	30,676,258
Less accumulated depreciation for:				
Buildings and improvements	506,551	36,916	-	543,467
Road equipment	3,384,569	348,273	256,597	3,476,245
Other equipment	182,649	6,426	-	189,075
Infrastructure and improvements	8,518,428	1,052,044	-	9,570,472
Total accumulated depreciation	12,592,197	1,443,659	256,597	13,779,259
Total capital assets, being depreciated, net	16,092,467	814,396	9,864	16,896,999
Total capital assets, net	<u>\$ 18,200,885</u>	<u>\$ 859,921</u>	<u>\$ 9,864</u>	<u>\$ 19,050,942</u>
Northwest Michigan Community Health Agency	Balance 01/01/06	Increases	Decreases	Balance 12/31/06
Capital assets				
Furniture and equipment	\$ 505,341	\$ 366,946	\$ -	\$ 872,287
Less accumulated depreciation	(274,365)	(133,415)	-	(407,780)
Total capital assets	<u>\$ 230,976</u>	<u>\$ 233,531</u>	<u>\$ -</u>	<u>\$ 464,507</u>

Depreciation expense was charged to the health services function for \$133,415.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS – Continued

A. Assets - Continued

3. Capital Assets - continued

Discretely presented component units - continued

Grandvue Medical Care Facility	Balance 01/01/06	Increases	Decreases	Balance 12/31/06
Capital assets, being depreciated				
Buildings & improvements	\$ 12,045,126	\$ 132,855	\$ -	\$ 12,177,981
Machinery & equipment	1,655,773	26,008	14,380	1,667,401
Construction in progress	-	11,298	-	11,298
Total capital assets being depreciated	13,700,899	170,161	14,380	13,856,680
Less accumulated depreciation for:				
Buildings & improvements	1,691,114	325,883	-	2,016,997
Machinery & equipment	978,679	103,197	14,380	1,067,496
Total accumulated depreciation	2,669,793	429,080	14,380	3,084,493
Total capital assets, being depreciated, net	<u>\$ 11,031,106</u>	<u>\$ (258,919)</u>	<u>\$ -</u>	<u>\$ 10,772,187</u>

4. Interfund Transactions

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	\$ 1,304,189	Commission on Aging	\$ 34,618
	-	Revenue Sharing Reserve	1,246,174
	-	Trust and Agency	2,136
	-	Other Governmental Funds	6,915
	-	Public Transit	14,346
	<u>\$ 1,304,189</u>		<u>\$ 1,304,189</u>

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS – Continued

4. Interfund Transactions - continued

Interfund transfers:

Transfer Out:	Transfer In			Total
	Other Governmental Funds	Component Unit - NMCHA	Component Unit- Road Commission	
General fund	\$ 482,800	\$ 209,532	\$ -	\$ 692,332
Enterprise fund – delinquent tax revolving	122,229	-	300,000	422,229
Economic Development	35,585	-	-	35,585
	<u>\$ 640,614</u>	<u>\$ 209,532</u>	<u>\$ 300,000</u>	<u>\$ 1,150,146</u>

Transfers in, Other Governmental Funds, is difference from the total by \$100,000, which is due to a timing difference in the general fund transferring funds to the child care fund, which is a September 30th year end fund.

5. Equity Transfer to Grandvue Medical Care Facility and Village of Boyne Falls

Grandvue Medical Care Facility

In 2001, Grandvue Medical Care Facility began renovation and construction of a building addition, which would correct building deficiencies, create an Alzheimer unit, and add hospice and respite beds. The estimated cost of the project is approximately \$10,500,000 and will be completed in three phases. Costs which exceed the proceeds from the bond will be financed by the Facility. The County Capital Projects fund issued bonds totaling \$7,500,000. A millage has been approved to fund principal and interest payments. During construction the County Capital Projects fund is responsible for all the activities relating to the project including the approval of invoices. Upon completion of each phase of the project, Grandvue Medical Care Facility will record capitalized assets as a transfer from the County. The related debt will not transfer to the Facility.

In July 2003, the first phase of the renovation project was completed. A total of \$6,054,013 of construction casts were transferred from the County to the Facility and recorded as capital assets of the Facility as of December 31, 2003. A total of \$1,590,239 of construction costs was transferred from the County to the Facility and recorded as capital assets of the Facility during 2004. In April 2005, the fourth and final phase was completed. A total of \$433,006 of construction costs was transferred from the County during 2005. Capitalized interest totaled \$253,963 for 2006 and 2005.

Village of Boyne Falls

In 2003, the County started a project on behalf of the Village of Boyne Falls to repair and replace water wells and drinking water systems. The project was completed during 2006. The County transferred the entire cost of construction, \$559,209, to the Village of Boyne Falls as of December 31, 2006. It is the responsibility of the Village to maintain and operate the system.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities

1. Long-Term Debt

General obligation debts and other long-term obligations currently outstanding are as follows:

\$7,500,000 2001 Medical Care Facility, serial bonds payable in annual installments of \$150,000 to \$850,000 through May 1, 2016; interest at 4.25% to 5.50%	\$ 6,200,000
\$595,000 2006 Water Supply System, serial bonds payable in annual installments of \$15,000 to \$30,000 through October 1, 2033; interest at 2.50%	<u>518,176</u>
Total bonded debt	6,718,176
Termination benefits	<u>326,081</u>
	<u><u>\$ 7,044,257</u></u>

The annual requirements to amortize long-term obligations outstanding as of December 31, 2006 including interest of \$1,730,340 are as follows:

	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 415,000	\$ 271,927	\$ 686,927
2008	440,000	252,989	692,989
2009	490,000	232,365	722,365
2010	565,000	208,926	773,926
2011	615,000	183,427	798,427
2012 – 2016	3,830,000	503,381	4,333,381
2017 – 2021	100,000	39,009	139,009
2022 – 2026	110,000	26,382	136,382
2027 – 2031	125,000	11,507	136,507
2032 – 2033	<u>28,176</u>	<u>427</u>	<u>28,603</u>
	6,718,176	1,730,340	8,448,516
Compensated absences	<u>326,081</u>	<u>-</u>	<u>326,081</u>
	<u><u>\$ 7,044,257</u></u>	<u><u>\$ 1,730,340</u></u>	<u><u>\$ 8,774,597</u></u>

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities

1. Long-Term Debt

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities:					
Bonds payable:					
Medical Care Facility	\$ 6,550,000	\$ -	\$ 350,000	\$ 6,200,000	\$ 400,000
Water Supply System	533,176	-	15,000	518,176	15,000
Total bonds payable	7,083,176	-	365,000	6,718,176	415,000
Other liabilities:					
Termination benefits	311,672	14,409	-	326,081	-
Total long-term liabilities	<u>\$ 7,394,848</u>	<u>\$ 14,409</u>	<u>\$ 365,000</u>	<u>\$ 7,044,257</u>	<u>\$ 415,000</u>

The general long-term debt and other long-term obligations of Charlevoix County's two special revenue fund component units, and the changes therein, may be summarized as follows:

	Balance 01/01/06	Additions	Deletions	Balance 12/31/06
Compensated Absences:				
County Road Fund	\$ 41,807	\$ -	\$ 671	\$ 41,136
Northern Michigan Community Health Agy.	345,744	124,621	-	470,365
Total Long-Term Debt	<u>\$ 387,551</u>	<u>\$ 124,621</u>	<u>\$ 671</u>	<u>\$ 511,501</u>

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued

B. Liabilities – Continued

2. Lease Commitments - Northwest Michigan Community Health Agency

Northwest Michigan Community Health Agency Leases office facilities and certain office equipment. Expenditures incurred for space costs are as follows:

	<u>2006</u>
Minimum rentals	\$ 424,871
Repairs, maintenance and utilities	<u>297,527</u>
Totals	<u>\$ 722,398</u>

The following is a schedule, by years, of future minimum rental payments required under leases having remaining noncancelable lease terms in excess of one year as of December 31, 2006:

	<u>Lease Payments</u>	<u>Sub-lease Payments</u>	<u>Net Payable</u>
2007	\$ 448,387	\$ 15,719	\$ 432,668
2008	441,455	8,462	432,993
2009	439,154	-	439,154
2010	439,154	-	439,154
2011	430,154	-	430,154
2012 – 2016	1,637,393	-	1,637,393
2017 – 2021	912,000	-	912,000
2022 and thereafter	56,000	-	56,000

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4: SEGMENT INFORMATION FOR THE ENTERPRISE FUND

The County provides medical care and housing services to the elderly through the Grandvue Medical Care Facility Fund. Operating revenues are generated through private payments, Medicaid, or private insurance companies for services provided.

The County offers goods for purchase to the inmates of the county jail. Operating revenues were generated by charges for services.

The Delinquent tax revolving fund purchases delinquent taxes from the local taxing authorities and then seeks payment. The fund collects interest and penalties on the delinquent balance.

The County provides public transportation to the citizens throughout the County through the Public Transit Fund. For the year ended September 30, 2006, operating revenues were generated primarily through fares charged.

Segment information for the above Enterprise Funds for the year ended December 31, 2006 is as follows:

	Component Unit					
	Grandvue Medical Care Facility	Commissary Inmate Trust	Delinquent Tax Revolving	Public Transit	Forfeitures & Foreclosures	
Operating revenues	\$ 10,560,539	\$ -	\$ 254,197	\$ 114,445	\$ 90,419	
Depreciation	429,080	-	-	202,708	-	
Operating income (loss)	(706,857)	(7,251)	254,197	(1,052,858)	62,723	
Operating grants:						
State of Michigan	-	-	-	390,370	-	
U.S. Dept. of Transportation	-	-	-	167,727	-	
Tax revenues	1,200,215	-	-	414,041	-	
Net income (loss)	579,808	82	(68,019)	91,219	62,723	
Property, plant, and equipment						
Additions	170,161	-	-	-	-	
Net working capital	1,999,168	83,707	5,586,779	779,031	68,284	
Total assets	15,213,498	83,707	5,586,978	1,458,292	126,463	
Total equity:						
Invested in capital assets	10,772,187	-	-	565,508	-	
Retained earnings	1,999,168	83,707	5,586,779	1,344,639	68,284	

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 5: EMPLOYEES RETIREMENT SYSTEM

COUNTY (primary government)

A. Plan Description

The County participates in the agent multiple-employer Michigan Municipal Employees Retirement System (the "system"). Substantially, all employees meeting service requirements are covered by the plan, which provides retirement benefits based upon an employee's five-year final average compensation and credited years of service. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, MI 48917 or by calling 1-517-622-4401.

B. Annual Pension Cost

For the year ended December 31, 2006, 2005 and 2004, the County's annual pension cost of \$711,138, \$712,117 and \$609,050, respectively, for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 1998, using the entry age normal actuarial cost method.

Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of up to 4.2% a year, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement for persons under certain benefit packages. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years, and adjusts to the effects of inflation on future benefits and future normal costs.

C. Three Year Trend Information

	Fiscal year ended December 31:		
	2006	2005	2004
Annual pension cost	\$ 711,138	\$ 859,236	\$ 609,050
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	16,097,300	14,400,877	13,138,407
Actuarial accrued liability	22,781,725	20,892,801	19,368,027
(Unfunded) / Overfunded AAL	(6,684,425)	(6,491,924)	(6,229,620)
Percent of funded AAL	41.52%	45.08%	47.42%
Covered payroll	7,751,319	8,098,253	7,611,696

**CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued

COUNTY ROAD COMMISSION

A. Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

B. Funding Policy

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 14.55% of annual covered payroll. Employees are currently not required to contribute to the plan. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

C. Annual Pension Cost

For the year ended December 31, 2006, the Road Commission's annual pension cost of \$183,108 for MERS was equal to the Road Commission's required contributions. The Road Commission's actual contribution for 2006 was \$179,718. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The Road Commission's actuarial accrued liability is \$1,390,844 as of December 31, 2006, the date of the last actuary report.

D. Three-year Trend Information

	Fiscal year ended December 31:		
	2005	2004	2003
Annual Pension cost	\$ 135,328	\$ 129,708	\$ 110,628
Actuarial value of assets	4,432,711	4,355,228	4,225,977
Actuarial accrued liability	5,823,555	5,590,766	4,907,293
(Unfunded) / Overfunded AAL	(1,390,844)	(1,235,538)	(681,316)
Percent of funded AAL	76%	78%	86%
Covered payroll	1,289,471	1,292,199	1,308,565
UAAL as a % of covered payroll	107%	96%	52%

The Road Commission's actual contribution amount was computed under the Accelerated Funding Credits program adopted by MERS in 1984. The program allows municipalities with funded percentages of 110% or greater to make no contributions.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued

NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY

The Agency participates on the agent multiple-employer Michigan Employees Retirement System (the "System"). Substantially, all employees meeting service requirements are covered by the plan, which provides retirement benefits based upon an employee's five-year final average compensation and credited years of services. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at MERS, 447 North Canal Road, Lansing, MI 48917 or by calling 1-517-622-4401.

Annual Pension Cost

For the year ended December 31, 2006, the Agency's annual pension cost of \$95,052 for the plan was equal to the Agency's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal funding method.

Significant actuarial assumptions used in valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of up to 8.4% a year, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement for persons under certain benefit packages. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years, and adjusts to the effects of inflation on future benefits and future normal costs.

NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY - Continued

Three-year trend information for fiscal years ended December 31:

	Fiscal year ended December 31:		
	2005	2004	2003
Annual Pension cost	\$ 95,052	\$ 107,522	\$ 96,195
Actuarial value of assets	3,722,813	3,554,727	3,395,860
Actuarial accrued liability	4,287,475	4,046,902	4,077,328
(Unfunded) / Overfunded AAL	(564,662)	(492,175)	(681,468)
Percent of funded AAL	87%	88%	83%
Covered payroll	841,050	818,484	865,781
UAAL as a % of covered payroll	67%	60%	79%

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued

PUBLIC TRANSIT

A. Plan Description

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 17.10 percent of covered gross payroll for 2006 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

GRANDVUE MEDICAL CARE FACILITY

As disclosed in Note 1, the Facility is a component unit of Charlevoix County. Charlevoix County, including the Facility, participates in the Michigan Municipal Employee Retirement System. Although an actuarial valuation is performed annually for Charlevoix County, specific data for the Facility is not available.

Disclosures required by Governmental Accounting Standards Board Statement No. 5 with respect to pension data have not been included in these financial statements.

The Facility contributed \$281,124 and \$299,056 to the plan for the years ended December 31, 2006 and 2005, respectively.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 6: DEFERRED COMPENSATION PLAN

County (Primary Government)

In 1991 the County offered its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all employees. The plan allows employees to defer a portion of their salary until a future date. It becomes available to the employee at death, termination, retirement or disability.

All amounts deferred under the plan, all investments purchased with those amounts, and all income attributable to those amounts are solely the property of the County, subject to the claims of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan but does have the duty of due care that would be required as a prudent investor. The County has paid the amounts deferred by employees to a plan administrator. Therefore, the assets are segregated and the County feels that is highly unlikely that the assets would be used to satisfy the claims of general creditors. The balances in the plan at December 31, 2006 and 2005 were \$3,777,900 and \$3,399,244, respectively.

NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY

The Agency offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 7: COST ALLOCATION PLANS

A County-wide cost allocation plan prepared by a consulting firm for the year ending December 31, 1996 was prepared in accordance with the policies and procedures contained in OMB Circular A-87. A consistent approach was followed in treating a given type of cost as direct or indirect and that in no case have costs charged as direct costs of Federally supported programs been included in the indirect costs reflected in the plan.

NOTE 8: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2006 presentation.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 9: CONTINGENT LIABILITIES

The County Road Commission has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission. In the opinion of management, any such disallowed claims could have a material effect on any of the financial statements included herein or on the overall financial position of the Commission at December 31, 2006.

NOTE 10: RISK MANAGEMENT

Public Transit

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Authority's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Authority also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

County (Primary Government)

The County (primary government) is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance to cover these risks. The County settled two lawsuits during the year in excess of their deductible.

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT - continued

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Road Commission participated in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The SIP is self-sustaining through member premiums.

During 2006 the Road Commission also participated in the County Road Association Self Insurance Fund (MCRCSIF) for its workers' compensation benefits. The SIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums.

In the event of unusually high claims, both the SIP and the SIF have the authority to bill the member road commissions retroactively. The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident and life insurance.

Grandvue Medical Care Facility

The Grandvue Medical Care Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, as well as medical benefits provided to employees. The Facility has purchased commercial insurance to cover these risks. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is self insured for employee injuries (workers' compensation). The plan is covered by a stop-loss policy that covers individual claims over \$350,000 or total claims in excess of \$676,260 to a maximum of \$3,000,000.

Changes in the estimated liability for the year ended December 31, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Estimated liability – beginning of year	\$ 119,000	\$ 31,000
Estimated claims incurred, including changes		
In estimates	(181,293)	(106,115)
Claim payments	<u>203,437</u>	<u>194,115</u>
Estimated liability – end of year	<u>\$ 141,144</u>	<u>\$ 119,000</u>

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT - Continued

Northwest Michigan Community Health Agency

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member in the Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability (except auto liability and vehicle physical damage).

The MMRA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability.

The Agency has joined with numerous other government agencies in Michigan as a participant in MMRMA's "State Pool." Members of the State Pool do not have individual self-insured retention amounts other than a \$500 deductible per occurrence of liability coverage and a \$250 deductible per occurrence of property coverage.

State Pool members' limits of coverage (per occurrence) are \$5 million for liability and as much as \$5 million for property. Flood and earthquake coverage limits are higher. If a covered loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the Agency.

The Agency carries commercial insurance for all other risks of loss including workers' compensation, liability and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal years.

NOTE 11: COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations.

NOTE 12: PRIOR PERIOD ADJUSTMENT

Public Transit

Two events occurred during the year that required the Public Transit Authority to make an adjustment to its previously issued financial statements.

The Public Transit Authority received information during the year that changed the amount to be received from the State of Michigan for operating assistance for years 2002 and 2003. It was previously disclosed to the Public Transit Authority that it would receive \$189,571 in settlement for those two years. It was finally determined that the Public Transit Authority would receive \$836 to settle to two years. An adjustment of \$188,735 has been made to reduce revenue for the year ended September 30, 2005.

Also, during the year it was determined that health insurance was not properly allocated to the Transit Authority from the County. This increased fringe benefits \$14,346 for the year ended September 30, 2005.

**CHARLEVOIX COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 12: PRIOR PERIOD ADJUSTMENT

Northwest Michigan Community Health Agency

In order to maintain the integrity of the current program year's revenue and expenditures, any collections or payments relating to prior programs are recorded in the prior year activity account. These items increased revenues by \$750,646 for the year ended December 31, 2006.

NOTE 13: CONCENTRATIONS – NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY

Approximately 74% of charges for services rendered revenue and 90% of the December 31, 2006 accounts receivable balance were derived from reimbursements for providing medical services to Medicare and Medicaid recipients. Changes in the healthcare financing systems are expected to have an effect on the Agency's future revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CHARLEVOIX COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 7,744,953	\$ 7,744,953	\$ 8,302,180	\$ 557,227
Licenses and permits	36,500	36,500	42,160	5,660
Federal grants	510,000	512,430	523,349	10,919
State grants	1,267,891	1,265,461	1,141,771	(123,690)
Contributions from local units	7,500	7,500	7,478	(22)
Charges for services	1,872,520	1,877,520	1,663,390	(214,130)
Fines and forfeits	7,000	7,000	4,355	(2,645)
Interest and rents	100,000	100,000	284,916	184,916
Other	95,236	95,236	163,887	68,651
TOTAL REVENUES	11,641,600	11,646,600	12,133,486	486,886
EXPENDITURES:				
Current:				
Legislative	306,900	305,400	345,244	(39,844)
Judicial	1,451,479	1,450,329	1,184,130	266,199
General government	2,191,645	2,150,295	2,052,028	98,267
Public safety	2,615,114	2,709,614	2,669,114	40,500
Health and welfare	136,731	144,231	141,908	2,323
Other	4,247,399	4,194,399	4,055,716	138,683
TOTAL EXPENDITURES	10,949,268	10,954,268	10,448,140	506,128
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	692,332	692,332	1,685,346	993,014
OTHER FINANCING SOURCES (USES):				
Operating transfers in				
Operating transfers (out)	(692,332)	(692,332)	(692,332)	-
TOTAL OTHER FINANCING SOURCES (USES)	(692,332)	(692,332)	(692,332)	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	993,014	\$ 993,014
FUND BALANCE, beginning			2,847,077	
FUND BALANCE, ending			\$ 3,840,091	

CHARLEVOIX COUNTY, MICHIGAN
COMMISSION ON AGING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 650,000	\$ 722,541	\$ 664,541	\$ (58,000)
Federal grants	80,000	84,572	98,549	13,977
State grants	43,541	21,900	26,987	5,087
Charges for services	125,892	155,225	165,077	9,852
Interest and rents	35,000	88,000	98,096	10,096
Other	1,000	10,000	11,193	1,193
TOTAL REVENUES	935,433	1,082,238	1,064,443	(17,795)
EXPENDITURES:				
Current:				
Health and welfare	1,005,192	1,082,238	653,628	428,610
TOTAL EXPENDITURES	1,005,192	1,082,238	653,628	428,610
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (69,759)</u>	<u>\$ -</u>	410,815	<u>\$ 410,815</u>
FUND BALANCE, beginning			<u>1,905,449</u>	
FUND BALANCE, ending			<u>\$ 2,316,264</u>	

CHARLEVOIX COUNTY, MICHIGAN
REVENUE SHARING RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ -	\$ -	\$ 2,318,056	\$ 2,318,056
Interest	-	-	29,880	29,880
	-	-	2,347,936	2,347,936
EXPENDITURES:				
Current:				
Other	-	-	477,936	(477,936)
TOTAL EXPENDITURES	-	-	477,936	(477,936)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	1,870,000	<u>\$ 1,870,000</u>
FUND BALANCE, beginning			<u>4,183,833</u>	
FUND BALANCE, ending			<u>\$ 6,053,833</u>	

SUPPLEMENTARY DATA SECTION

CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash	\$ 2,464,371	\$ 1,309,598	\$ 95,938	\$ 3,869,907
Accounts receivable	-	-	-	-
Taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from State	177,396	-	-	177,396
Due from other governmental units	222	-	526,183	526,405
Prepaid expenses	7,741	275	-	8,016
Amount to be provided for accounts payable	55,768	-	-	55,768
TOTAL ASSETS	\$ 2,705,498	\$ 1,309,873	\$ 622,121	\$ 4,637,492
LIABILITIES & FUND BALANCE				
Liabilities:				
Accounts payable	\$ 53,964	\$ -	\$ -	\$ 53,964
Checks written in excess of deposits	40,279	-	-	40,279
Accrued expenses	20,736	-	-	20,736
Other accrued expenses	-	-	800	800
Due to other funds	6,915	-	-	6,915
Long-term advances from State	55,768	-	-	55,768
Deferred revenue	-	60,123	-	60,123
TOTAL LIABILITIES	177,662	60,123	800	238,585
Fund Balance:				
Reserved	533,133	1,249,750	88,331	1,871,214
Unreserved	1,994,703	-	532,990	2,527,693
TOTAL FUND BALANCE	2,527,836	1,249,750	621,321	4,398,907
TOTAL LIABILITIES & FUND BALANCE	\$ 2,705,498	\$ 1,309,873	\$ 622,121	\$ 4,637,492

CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 249,060	\$ 901,782	\$ -	\$ 1,150,842
License and permits	658,152	-	-	658,152
Federal grants	21,681	-	-	21,681
State grants	749,954	-	-	749,954
Contributions from local units	-	28,880	-	28,880
Charges for services	1,064,265	-	-	1,064,265
Fines & forfeits	3,338	-	-	3,338
Interest & rents	156,749	100,192	3,395	260,336
Other	454,840	-	26,439	481,279
TOTAL REVENUES	3,358,039	1,030,854	29,834	4,418,727
EXPENDITURES:				
Judicial	677,114	-	-	677,114
General government	164,017	-	-	164,017
Public safety	1,596,380	-	-	1,596,380
Health & welfare	424,153	-	-	424,153
Recreational & cultural	243,277	-	-	243,277
Other	575,672	654,603	25,074	1,255,349
TOTAL EXPENDITURES	3,680,613	654,603	25,074	4,360,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(322,574)	376,251	4,760	58,437
OTHER FINANCING SOURCES:				
Operating transfers in	705,029	-	35,585	740,614
Operating transfer out	(35,585)	-	-	(35,585)
TOTAL OTHER FINANCING SOURCES	669,444	-	35,585	705,029
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	346,870	376,251	40,345	763,466
FUND BALANCE, beginning	2,180,966	873,499	580,976	3,635,441
FUND BALANCE, ending	\$ 2,527,836	\$ 1,249,750	\$ 621,321	\$ 4,398,907

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEETS
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006**

	State Survey and Remonu - mentation	Whiting Park	Friend of the Court	Recycling Fund	Economic Development	Public Improve - Ment	Building Department	Unemploy - Ment	Register of Deeds Automation Fund
ASSETS									
Cash	\$ -	\$ 50,342	\$ 82,194	\$ 200,017	\$ -	\$ 546,967	\$ 188,689	\$ 105,552	\$ 119,436
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	44,094	-	319	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	446	-	-	-	-	7,295	-	-
Amount to be provided for accounts payable	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 44,094</u>	<u>\$ 50,788</u>	<u>\$ 82,513</u>	<u>\$ 200,017</u>	<u>\$ -</u>	<u>\$ 546,967</u>	<u>\$ 195,984</u>	<u>\$ 105,552</u>	<u>\$ 119,436</u>
LIABILITIES & FUND BALANCE									
Liabilities:									
Accounts payable	\$ 5,423	\$ -	\$ -	\$ 1,260	\$ -	\$ 42,897	\$ 417	\$ -	\$ -
Checks written in excess of deposits	36,498	-	-	-	-	-	-	-	-
Accrued expenses	-	1,122	-	-	-	-	19,614	-	-
Due to other funds	-	457	-	-	-	-	6,458	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>41,921</u>	<u>1,579</u>	<u>-</u>	<u>1,260</u>	<u>-</u>	<u>42,897</u>	<u>26,489</u>	<u>-</u>	<u>-</u>
Fund Balance:									
Reserved	-	-	-	-	-	231,696	-	-	-
Unreserved	<u>2,173</u>	<u>49,209</u>	<u>82,513</u>	<u>198,757</u>	<u>-</u>	<u>272,374</u>	<u>169,495</u>	<u>105,552</u>	<u>119,436</u>
TOTAL FUND BALANCE	<u>2,173</u>	<u>49,209</u>	<u>82,513</u>	<u>198,757</u>	<u>-</u>	<u>504,070</u>	<u>169,495</u>	<u>105,552</u>	<u>119,436</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 44,094</u>	<u>\$ 50,788</u>	<u>\$ 82,513</u>	<u>\$ 200,017</u>	<u>\$ -</u>	<u>\$ 546,967</u>	<u>\$ 195,984</u>	<u>\$ 105,552</u>	<u>\$ 119,436</u>

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEETS
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006**

	Sheriff ATV Project	911 Fund	D.A.R.E	Tracking Dog	Local Corrections Officer's Training	Drug Law Enforcement	Law Library	Housing Program	Transportation Authority
<u>ASSETS</u>									
Cash	\$ 3,388	\$ 457,439	\$ 3,432	\$ 1,014	\$ 25,073	\$ 11,627	\$ 3,886	\$ 19,090	\$ 66,268
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	28,138	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Amount to be provided for accounts payable	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 3,388</u>	<u>\$ 485,577</u>	<u>\$ 3,432</u>	<u>\$ 1,014</u>	<u>\$ 25,073</u>	<u>\$ 11,627</u>	<u>\$ 3,886</u>	<u>\$ 19,090</u>	<u>\$ 66,268</u>
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,244	\$ 95	\$ -	\$ 46
Checks written in excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,244</u>	<u>95</u>	<u>-</u>	<u>46</u>
Fund Balance:									
Reserved	-	276,364	-	-	25,073	-	-	-	-
Unreserved	<u>3,388</u>	<u>209,213</u>	<u>3,432</u>	<u>1,014</u>	<u>-</u>	<u>10,383</u>	<u>3,791</u>	<u>19,090</u>	<u>66,222</u>
TOTAL FUND BALANCE	<u>3,388</u>	<u>485,577</u>	<u>3,432</u>	<u>1,014</u>	<u>25,073</u>	<u>10,383</u>	<u>3,791</u>	<u>19,090</u>	<u>66,222</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 3,388</u>	<u>\$ 485,577</u>	<u>\$ 3,432</u>	<u>\$ 1,014</u>	<u>\$ 25,073</u>	<u>\$ 11,627</u>	<u>\$ 3,886</u>	<u>\$ 19,090</u>	<u>\$ 66,268</u>

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEETS
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006**

	Recovery High Project	Probate Grants	Gaming Fund	Crime Victims Rights	Emmet County FIA	Emmet County Care Sub	Community Corrections	Michigan Justice Training	Social Welfare
<u>ASSETS</u>									
Cash	\$ 80,420	\$ -	\$ 8,588	\$ -	\$ 12,364	\$ 573	\$ 114,042	\$ 1,002	\$ 194,268
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	1,790	-	-	-	-	-	-	-
Due from other governmental units	222	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Amount to be provided for accounts payable	-	-	-	-	-	-	-	-	55,768
TOTAL ASSETS	<u>\$ 80,642</u>	<u>\$ 1,790</u>	<u>\$ 8,588</u>	<u>\$ -</u>	<u>\$ 12,364</u>	<u>\$ 573</u>	<u>\$ 114,042</u>	<u>\$ 1,002</u>	<u>\$ 250,036</u>
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 611	\$ -	\$ 1,261	\$ -	\$ 55,768
Checks written in excess of deposits	-	3,417	-	364	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>3,417</u>	<u>-</u>	<u>364</u>	<u>611</u>	<u>-</u>	<u>1,261</u>	<u>-</u>	<u>55,768</u>
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	<u>80,642</u>	<u>(1,627)</u>	<u>8,588</u>	<u>(364)</u>	<u>11,753</u>	<u>573</u>	<u>112,781</u>	<u>1,002</u>	<u>194,268</u>
TOTAL FUND BALANCE	<u>80,642</u>	<u>(1,627)</u>	<u>8,588</u>	<u>(364)</u>	<u>11,753</u>	<u>573</u>	<u>112,781</u>	<u>1,002</u>	<u>194,268</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 80,642</u>	<u>\$ 1,790</u>	<u>\$ 8,588</u>	<u>\$ -</u>	<u>\$ 12,364</u>	<u>\$ 573</u>	<u>\$ 114,042</u>	<u>\$ 1,002</u>	<u>\$ 250,036</u>

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEETS
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006**

	Child Care/ Child Care Sub Account	Veterans Trust	GIS Grants	Detention	Total 2006
<u>ASSETS</u>					
Cash	\$ 147,429	\$ 2,083	\$ 571	\$ 18,617	\$ 2,464,371
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from State	103,055	-	-	-	177,396
Due from other governmental units	-	-	-	-	222
Prepaid expenses	-	-	-	-	7,741
Amount to be provided for accounts payable	-	-	-	-	55,768
 TOTAL ASSETS	 \$ 250,484	 \$ 2,083	 \$ 571	 \$ 18,617	 \$ 2,705,498
<u>LIABILITIES & FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 200	\$ 510	\$ -	\$ -	\$ 109,732
Checks written in excess of deposits	-	-	-	-	40,279
Accrued expenses	-	-	-	-	20,736
Due to other funds	-	-	-	-	6,915
Deferred revenue	-	-	-	-	-
 TOTAL LIABILITIES	 200	 510	 -	 -	 177,662
Fund Balance:					
Reserved	-	-	-	-	533,133
Unreserved	250,284	1,573	571	18,617	1,994,703
 TOTAL FUND BALANCE	 250,284	 1,573	 571	 18,617	 2,527,836
 TOTAL LIABILITIES & FUND BALANCE	 \$ 250,484	 \$ 2,083	 \$ 571	 \$ 18,617	 \$ 2,705,498

CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	State Survey and Remonu - Mentation	Whiting Park	Friend of the Court	Recycling Fund	Economic Development	Public Improve - Ment	Building Department	Unemploy - Ment	Register of Deeds Automation Fund
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ 249,060	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	658,152	-	-
Federal grants	-	-	4,886	-	-	-	-	-	-
State grants	73,287	-	-	-	-	-	-	-	-
Charges for services	-	153,453	15,222	628	-	-	-	-	72,850
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	7,112	22,046	-	45,751	16,454	8,098	7,037
Other	-	-	-	-	-	100	-	17,947	-
TOTAL REVENUES	<u>73,287</u>	<u>153,453</u>	<u>27,220</u>	<u>271,734</u>	<u>-</u>	<u>45,851</u>	<u>674,606</u>	<u>26,045</u>	<u>79,887</u>
EXPENDITURES:									
Judicial	-	-	27,794	-	-	-	-	-	-
General government	89,287	-	-	-	-	53,773	-	-	20,957
Public safety	-	-	-	-	-	-	723,283	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	243,277	-	-	-	-	-	-	-
Other	-	-	-	287,883	-	-	-	34,378	-
TOTAL EXPENDITURES	<u>89,287</u>	<u>243,277</u>	<u>27,794</u>	<u>287,883</u>	<u>-</u>	<u>53,773</u>	<u>723,283</u>	<u>34,378</u>	<u>20,957</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,000)</u>	<u>(89,824)</u>	<u>(574)</u>	<u>(16,149)</u>	<u>-</u>	<u>(7,922)</u>	<u>(48,677)</u>	<u>(8,333)</u>	<u>58,930</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	16,000	122,229	-	-	-	20,000	-	-	-
Operating transfers (out)	-	-	-	-	(35,585)	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>16,000</u>	<u>122,229</u>	<u>-</u>	<u>-</u>	<u>(35,585)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITUES AND OTHER USES	-	32,405	(574)	(16,149)	(35,585)	12,078	(48,677)	(8,333)	58,930
FUND BALANCE, beginning	<u>2,173</u>	<u>16,804</u>	<u>83,087</u>	<u>214,906</u>	<u>35,585</u>	<u>491,992</u>	<u>218,172</u>	<u>113,885</u>	<u>60,506</u>
FUND BALANCE, ending	<u>\$ 2,173</u>	<u>\$ 49,209</u>	<u>\$ 82,513</u>	<u>\$ 198,757</u>	<u>\$ -</u>	<u>\$ 504,070</u>	<u>\$ 169,495</u>	<u>\$ 105,552</u>	<u>\$ 119,436</u>

CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Sheriff ATV Project	911 Fund	D.A.R.E	Tracking Dog	Local Training Officer's Training	Drug Law Enforcement	Law Library	Housing Program	Transport - Ation Authority
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	9,827	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	25,073	-	-	-	171,519
Fines & forfeits	-	-	-	-	-	3,338	-	-	-
Interest & rents	155	28,832	306	78	-	904	413	1,174	3,295
Other	200	187,946	2,633	750	-	-	-	17,916	3,000
TOTAL REVENUES	10,182	216,778	2,939	828	25,073	4,242	413	19,090	177,814
EXPENDITURES:									
Judicial	-	-	-	-	-	-	1,744	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	9,827	-	2,829	10	-	4,644	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
Other	-	109,773	-	-	-	-	-	-	143,638
TOTAL EXPENDITURES	9,827	109,773	2,829	10	-	4,644	1,744	-	143,638
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	355	107,005	110	818	25,073	(402)	(1,331)	19,090	34,176
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	355	107,005	110	818	25,073	(402)	(1,331)	19,090	34,176
FUND BALANCE, beginning	3,033	378,572	3,322	196	-	10,785	5,122	-	32,046
FUND BALANCE, ending	\$ 3,388	\$ 485,577	\$ 3,432	\$ 1,014	\$ 25,073	\$ 10,383	\$ 3,791	\$ 19,090	\$ 66,222

CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Recovery High Program	Probate Grants	Gaming Fund	Crime Victims Rights	Emmet County FIA	Emmet County Care Sub	Community Corrections	Michigan Justice Training	Social Welfare
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	16,795	-	-	-	-	-	-	-
State grants	-	-	-	23,403	-	-	44,246	4,515	195,499
Charges for services	529,299	-	-	-	-	-	96,221	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	6,193	-	1,399	844	505	-	-	-	5,291
Other	-	-	60,000	-	-	-	10,000	-	13,064
TOTAL REVENUES	<u>535,492</u>	<u>16,795</u>	<u>61,399</u>	<u>24,247</u>	<u>505</u>	<u>-</u>	<u>150,467</u>	<u>4,515</u>	<u>213,854</u>
EXPENDITURES:									
Judicial	518,897	17,042	-	44,787	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	59,811	-	-	-	-	5,115	-
Health & welfare	-	-	-	-	12,865	-	173,586	-	233,148
Recreational & cultural	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>518,897</u>	<u>17,042</u>	<u>59,811</u>	<u>44,787</u>	<u>12,865</u>	<u>-</u>	<u>173,586</u>	<u>5,115</u>	<u>233,148</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>16,595</u>	<u>(247)</u>	<u>1,588</u>	<u>(20,540)</u>	<u>(12,360)</u>	<u>-</u>	<u>(23,119)</u>	<u>(600)</u>	<u>(19,294)</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	25,000	-	-	10,000	-	11,800
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>11,800</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>16,595</u>	<u>(247)</u>	<u>1,588</u>	<u>4,460</u>	<u>(12,360)</u>	<u>-</u>	<u>(13,119)</u>	<u>(600)</u>	<u>(7,494)</u>
FUND BALANCE, beginning	<u>64,047</u>	<u>(1,380)</u>	<u>7,000</u>	<u>(4,824)</u>	<u>24,113</u>	<u>573</u>	<u>125,900</u>	<u>1,602</u>	<u>201,762</u>
FUND BALANCE, ending	<u>\$ 80,642</u>	<u>\$ (1,627)</u>	<u>\$ 8,588</u>	<u>\$ (364)</u>	<u>\$ 11,753</u>	<u>\$ 573</u>	<u>\$ 112,781</u>	<u>\$ 1,002</u>	<u>\$ 194,268</u>

CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Child Care / Child Care Sub Account	Veterans Trust	GIS Grants	Detention	2006
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 249,060
License and permits	-	-	-	-	658,152
Federal grants	-	-	-	-	21,681
State grants	394,833	4,344	-	-	749,954
Charges for services	-	-	-	-	1,064,265
Fines & forfeits	-	-	-	-	3,338
Interest & rents	-	-	-	862	156,749
Other	73,261	-	-	68,023	454,840
TOTAL REVENUES	468,094	4,344	-	68,885	3,358,039
EXPENDITURES:					
Judicial	-	-	-	66,850	677,114
General government	-	-	-	-	164,017
Public safety	790,861	-	-	-	1,596,380
Health & welfare	-	4,554	-	-	424,153
Recreational & cultural	-	-	-	-	243,277
Other	-	-	-	-	575,672
TOTAL EXPENDITURES	790,861	4,554	-	66,850	3,680,613
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(322,767)	(210)	-	2,035	(322,574)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	500,000	-	-	-	705,029
Operating transfers (out)	-	-	-	-	(35,585)
TOTAL OTHER FINANCING SOURCES	500,000	-	-	-	669,444
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	177,233	(210)	-	2,035	346,870
FUND BALANCE, beginning	73,051	1,783	571	16,582	\$ 2,180,966
FUND BALANCE, ending	\$ 250,284	\$ 1,573	\$ 571	\$ 18,617	\$ 2,527,836

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEETS
NON MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2006**

	<u>Debt Service Fund</u>	<u>Boyne Falls Debt Service Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,308,783	\$ 815	\$ 1,309,598
Prepaid expenses	<u>275</u>	<u>-</u>	<u>275</u>
 TOTAL ASSETS	 <u><u>\$ 1,309,058</u></u>	 <u><u>\$ 815</u></u>	 <u><u>\$ 1,309,873</u></u>
 LIABILITIES AND FUND BALANCE			
Current liabilities:			
Deferred tax revenue	<u>\$ 60,123</u>	<u>\$ -</u>	<u>\$ 60,123</u>
 FUND BALANCE:			
Reserved for Debt Service	<u>1,248,935</u>	<u>815</u>	<u>1,249,750</u>
	<u><u>\$ 1,309,058</u></u>	<u><u>\$ 815</u></u>	<u><u>\$ 1,309,873</u></u>

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Debt Service Fund	Boyne Falls Debt Service Fund	Totals
REVENUES:			
Taxes	\$ 901,782	\$ -	\$ 901,782
Contributions from local units	-	28,880	28,880
Interest	99,996	196	100,192
	<u>1,001,778</u>	<u>29,076</u>	<u>1,030,854</u>
TOTAL REVENUES			
EXPENDITURES:			
Debt service – principal	350,000	15,000	365,000
Debt service – interest and other	276,275	13,328	289,603
	<u>626,275</u>	<u>28,328</u>	<u>654,603</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	375,503	748	376,251
FUND BALANCE, beginning of year	873,432	67	873,499
FUND BALANCE, end of year	<u>\$ 1,248,935</u>	<u>\$ 815</u>	<u>\$ 1,249,750</u>

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING BALANCE SHEETS
NON MAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2006**

	Equipment Fund	Building Renovation Fund	Village of Boyne Falls Water System	2001 Construction Bond Fund	Totals 2006
ASSETS					
Cash	\$ 60,189	\$ 28,942	\$ 6,807	\$ -	\$ 95,938
Due from other government units	-	-	-	526,183	526,183
TOTAL ASSETS	<u>\$ 60,189</u>	<u>\$ 28,942</u>	<u>\$ 6,807</u>	<u>\$ 526,183</u>	<u>\$ 622,121</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	800	-	-	800
TOTAL LIABILITIES	<u>-</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>800</u>
FUND BALANCE:					
Reserved for capital outlay	60,189	28,142	-	-	88,331
Unreserved	-	-	6,807	526,183	532,990
TOTAL FUND BALANCE	<u>60,189</u>	<u>28,142</u>	<u>6,807</u>	<u>526,183</u>	<u>621,321</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 60,189</u>	<u>\$ 28,942</u>	<u>\$ 6,807</u>	<u>\$ 526,183</u>	<u>\$ 622,121</u>

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Equipment Fund	Building Renovation Fund	Village of Boyne Falls Water System	2001 Construction Bond Fund	Totals 2006
REVENUES:					
Interest on investments	\$ 2,274	\$ 1,026	\$ 95	\$ -	\$ 3,395
Other	4,219	-	22,220	-	26,439
TOTAL REVENUES	6,493	1,026	22,315	-	29,834
EXPENDITURES:					
Capital outlay	14,105	10,969	-	-	25,074
	14,105	10,969	-	-	25,074
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,612)	(9,943)	22,315	-	4,760
OTHER FINANCING SOURCES:					
Transfer In	35,585	-	-	-	35,585
Bond proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	35,585	-	-	-	35,585
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	27,973	(9,943)	22,315	-	40,345
FUND BALANCE, beginning of year	32,216	38,085	(15,508)	526,183	580,976
FUND BALANCE, end of year	\$ 60,189	\$ 28,142	\$ 6,807	\$ 526,183	\$ 621,321

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
ALL TRUST AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Trust and Agency Fund				Auxiliary and Library Trust Fund			
	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<u>ASSETS</u>								
Cash	\$ 2,239,211	\$ 64,373,396	\$ 66,241,326	\$ 371,281	\$ 97,039	\$ 180,907	\$ 166,265	\$ 111,681
Investments	1,100,041	352,628	1,290,807	161,862	-	-	-	-
Prepaid expenses	4,110	171	-	4,281	-	-	-	-
TOTAL ASSETS	\$ 3,343,362	\$ 64,726,195	\$ 67,532,133	\$ 537,424	\$ 97,039	\$ 180,907	\$ 166,265	\$ 111,681
<u>LIABILITIES</u>								
Accounts payable	\$ 1,471	\$ 18,911,042	\$ 18,911,042	\$ 1,471	\$ -	\$ -	\$ -	\$ -
Due to other funds	1,384,108	42,628	1,424,600	2,136	-	-	-	-
Due to State	323,924	14,537,438	14,580,541	280,821	-	-	-	-
Due to other government units:								
Due to cities	454	8,987	8,795	646	-	-	-	-
Due to library		300	300	-	-	-	-	-
Due to schools	496,517	4,108,735	4,264,479	340,773	-	-	-	-
Due to townships		42,775	42,775	-	-	-	-	-
Due to Federal government	(1,529)	10,805,733	10,806,253	(2,049)	-	-	-	-
Other liabilities	1,138,417	16,268,557	17,493,348	(86,374)	97,039	180,907	166,265	111,681
TOTAL LIABILITIES	\$ 3,343,362	\$ 64,726,195	\$ 67,532,133	\$ 537,424	\$ 97,039	\$ 180,907	\$ 166,265	\$ 111,681

**CHARLEVOIX COUNTY, MICHIGAN
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
ALL TRUST AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	District Court Trust Fund				Totals			
	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<u>ASSETS</u>								
Cash	\$ 52,683	\$ 1,113,480	\$ 1,104,233	\$ 61,930	\$ 2,388,933	\$ 65,667,783	\$ 67,511,824	\$ 544,892
Investments	-	-	-	-	1,100,041	352,628	1,290,807	161,862
Prepaid expenses	-	-	-	-	4,110	171	-	4,281
TOTAL ASSETS	\$ 52,683	\$ 1,113,480	\$ 1,038,280	\$ 61,930	\$ 3,493,084	\$ 66,020,582	\$ 68,736,678	\$ 711,035
<u>LIABILITIES</u>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,471	\$ 18,911,042	\$ 18,911,042	\$ 1,471
Due to other funds	-	-	-	-	1,384,108	42,628	1,424,600	2,136
Due to State	-	-	-	-	323,924	14,537,438	14,580,541	280,821
Due to other government units:								
Due to cities	-	-	-	-	454	8,987	8,795	646
Due to library	-	-	-	-	-	300	300	-
Due to schools	-	-	-	-	496,517	4,108,735	4,264,479	340,773
Due to townships	-	-	-	-	-	42,775	42,775	-
Due to Federal government	-	-	-	-	(1,529)	10,805,733	10,806,253	(2,049)
Other liabilities	52,683	1,113,480	1,038,280	61,930	1,288,139	17,562,944	18,697,893	87,237
TOTAL LIABILITIES	\$ 52,683	\$ 1,113,480	\$ 1,038,280	\$ 61,930	\$ 3,493,084	\$ 66,020,582	\$ 68,736,678	\$ 711,035

CHARLEVOIX COUNTY, MICHIGAN
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2001 DEBT
DECEMBER 31, 2006

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending December 31:				
2007	4.5%	\$ 400,000	\$ 259,125	\$ 659,125
2008	4.5%	425,000	240,562	665,562
2009	4.5%	475,000	220,313	695,313
2010	4.5%	550,000	197,250	747,250
2011	4.5%	600,000	172,125	772,125
2012 – 2016	Various	<u>3,750,000</u>	<u>452,624</u>	<u>4,202,624</u>
		<u>\$ 6,200,000</u>	<u>\$ 1,541,999</u>	<u>\$ 7,741,999</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – October 1, 2001 \$7,500,000

Purpose

Renovation and new construction to correct for building deficiencies, create a new Alzheimer Unit and add hospice and respite beds and the Grandvue Medical Care Facility.

CHARLEVOIX COUNTY, MICHIGAN
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2003 DEBT
DECEMBER 31, 2006

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending December 31:				
2007	2.5%	\$ 15,000	\$ 12,802	\$ 27,802
2008	2.5%	15,000	12,427	27,427
2009	2.5%	15,000	12,052	27,052
2010	2.5%	15,000	11,676	26,676
2011	2.5%	15,000	11,302	26,302
2012 – 2016	2.5%	80,000	50,757	130,757
2017 – 2021	2.5%	100,000	39,009	139,009
2022 – 2026	2.5%	110,000	26,382	136,382
2027 – 2031	2.5%	125,000	11,507	136,507
2032 – 2033	2.5%	28,176	427	28,603
		<u>\$ 518,176</u>	<u>\$ 188,341</u>	<u>\$ 706,517</u>

Principal payments due on first day of October

Interest payments due on the first day of April and October

Original issue – June 26, 2003 \$595,000

Purpose

Construction of drinking water reservoir and water main extension. Upgrades at Well No. 4 and Well No. 5, and purchase of generator for standby power.



Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

June 12, 2007

Honorable Chairman and Members
of the Board of Commissioners
Charlevoix County
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated June 12, 2007. We did not audit the financial statements of the Northwest Michigan Community Health Agency, a component unit. Those financial statement were audited by other auditors whose report were furnished to us, and our opinion, in so far as it relates to the amounts included for that entity, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charlevoix County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charlevoix County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charlevoix County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Charlevoix County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Charlevoix County's financial statements that is more than inconsequential will not be prevented or detected by Charlevoix County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Charlevoix County's internal control.

731 S. Garfield Ave., Traverse City, MI 49686 tel. 231-946-8930 fax. 231-946-1377
www.harrisgroupecpa.com

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Charlevoix County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Charlevoix County in a separate letter dated June 12, 2007.

This report is intended solely for the information and use of the County Commissioners, management and the Michigan Department of Treasury and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants



**Report on Compliance with Requirements Applicable to each
Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

Honorable Chairman and Members
of the Board of Commissioners
Charlevoix County
Charlevoix, Michigan

Compliance

We have audited the compliance of Charlevoix County ("the County") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2006. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major Federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Charlevoix County's financial statements include the operations of the Northwest Michigan Community Health Agency, which received \$1,824,142 in federal awards, which is not included in the schedule for the year ended December 31, 2006. Our audit described below, did not include the operations of the Northwest Michigan Community Health Agency because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Charlevoix County complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Charlevoix County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants
Traverse City, MI
June 12, 2007

CHARLEVOIX COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>General Fund:</u>			
U.S. Department of Justice, passed through the Michigan Department of Management and Budget			
Anti-Drug Abuse Act (SANE)	16.579	70868-6-04-B	\$ 42,002
U.S. Department of Social Services, passed through the Michigan Department of Social Services			
Child Support Enforcement:			
Title IV-D Reimbursement Contracts	93.563	FOC	333,677
	93.563	PA	60,766
Assistance Programs:			
Title IV-D Incentive Payment	93.560		37,003
U.S. Department of Homeland Security, passed through The Michigan State Police			
2006 State Homeland Security Assessment and Strategy	97.004		49,901
TOTAL GENERAL FUND			523,349
<u>Commission on Aging Fund:</u>			
U.S. Department of Health and Human Services			
Title IIIB	93.633	2006	11,150
Title IIIC1	93.635	2006	30,500
Title IIIC2	93.635	2006	38,941
USDA – Congregate meals	93.635	2006	7,748
USDA – Home Delivered meals	93.635	2006	10,210
Total Commission on Aging			98,549

CHARLEVOIX COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>Friend of the Court Fund:</u>			
U.S. Department of Social Services, passed through the Michigan Department of Social Services Child Support Enforcement: Title IV-D Reimbursement Contracts	93.563	FOC	4,886
<u>Probate Grant Fund:</u>			
Michigan Department of Community Health Project PAST	16.579	04-15001	10,184
	16.579	05-15001	6,611
			16,795
<u>Public Transit Fund:</u>			
U.S. Department of Transportation, passed through the Michigan Department of Transportation Public Transportation for Non-Urbanized Areas Operating Assistance Section 18 Capital Grant	20.509		167,727
	20.500		126,539
			294,266
TOTAL FEDERAL FINANCIAL ASSISTANCE (PRIMARY GOVERNMENT)			\$ 937,845

CHARLEVOIX COUNTY, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTES (PRIMARY GOVERNMENT):

1. Basis of presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of Charlevoix County, Michigan and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the general purpose financial statements.
2. Title IV-D, CFDA #93.563 was audited as a major program, representing 36.40% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Charlevoix County, Michigan was determined to be a low risk auditee.

CHARLEVOIX COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006
PRIMARY GOVERNMENT

Section I – Summary of Auditors’ Results

Financial statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit finding disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.563	Title IV-D

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None

Prior year findings: None



June 12, 2007

Honorable Chairman and Members
Of the Board of Commissioners
Charlevoix County
Charlevoix, MI

In planning and performing our audit of the basic financial statements of Charlevoix County for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Charlevoix County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies:

Revenue and Receivables

The County needs to improve its procedure for recognizing receivables at year end. During the audit process we spend a considerable amount of time recognizing and recording receivables. All departments need to inform the County Treasurer of receipts received after year end that are applicable to previous year. Also, the County Treasurer needs to improve the procedure to recognize receivables during the receipting process. Improving this function will provide more accurate interim financial statements and help with budgeting for future periods.

Public Act 621, Budgeting

The County has complied with the spirit of P.A. 621, Budgeting, but has expended more than the budgeted amount in certain categories. The County may amend budgets throughout the year for any unforeseen expenditures. There was no budget adopted for the Revenue Sharing Reserve Fund. The County is required to adopt a budget for all general and special revenue funds.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants